

11 Am. Jur. 2d Bills and Notes § 345

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Bills and Notes

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X. Discharge of Obligation

A. In General

§ 345. Effect of discharge of obligation on subsequent holder in due course

[Topic Summary](#) | [Correlation Table](#) | [References](#)

West's Key Number Digest

West's Key Number Digest, Bills and Notes 426

Treatises and Practice Aids

As to effect of notice of discharge on holder in due course, see Lawrence's Anderson on the Uniform Commercial Code, Article 3 [Rev] Negotiable Instruments [\[Westlaw®\(r\): Search Query\]](#)

Forms

Forms relating to discharge and holder in due course, see Am. Jur. Pleading and Practice Forms, Commercial Code [\[Westlaw®\(r\) Search Query\]](#)

The discharge of the obligation of a party is not effective against a person acquiring rights of a holder in due course of the instrument without notice of the discharge.¹

Observation:

Implicit in the foregoing provision is the fact that a person who is merely a transferee of the instrument, or a person who is a holder but who does not have the rights of a holder in due course, is subject to the defense that the obligor in question has been discharged from liability on the instrument.²

Comment:

Discharge is effective against a holder in due course only if the holder had notice of the discharge when holder in due course status was acquired, as where an instrument bearing a cancelled indorsement is taken by a holder.³

The fact that a person taking an instrument has notice of the discharge of an obligor on the instrument does not bar such a taker from being a holder in due course, but only subjects the holder to the defense of that discharge.⁴ Thus, while a person may take an instrument on which one or more signatures have been cancelled and still be a holder in due course, such a holder is barred from enforcing the instrument against any party whose signature was cancelled.⁵

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Footnotes

- 1 [U.C.C. § 3-601\(b\)](#) (2002 Rev).
- 2 [Frisch, Lawrence's Anderson on the Uniform Commercial Code § 3-601:5 \[Rev.\]](#) (3d ed.).
As to discharge as a defense, see §§ [553](#), [554](#).
- 3 [U.C.C. § 3-601](#) (2002 Rev), Official Comment.
- 4 [Frisch, Lawrence's Anderson on the Uniform Commercial Code § 3-601:6 \[Rev.\]](#) (3d ed.).
- 5 [Frisch, Lawrence's Anderson on the Uniform Commercial Code § 3-601:6 \[Rev.\]](#) (3d ed.).

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